

Message Text

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DRAFTED BY: EUR/REP:AALBRECHT/JTMCCARTHY/RMEIMA

APPROVED BY: E - MR. CASEY

STR - HPROPPS

USDA - RGOODMAN

TREAS - HMCFADDEN

COMMERCE - LFOX (SUBSTANCE)

EB - JKATZ-JRENNER (SUBS)

EUR/RPE - AKATZ

EUR - WJSTOESSEL

S/S - MR. BARNES

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C O R R E C T E D COPY (GARBLED TEXT)

E.O. 11652: N/A

TAGS: EGEN, EEC, US

SUBJECT: US-EC CONSULTATIONS, OCTOBER 29-31, 1973

1. SUMMARY. THE FRANK AND CONSTRUCTIVE DISCUSSIONS BETWEEN THE EC COMMISSION DELEGATION HEADED BY SIR CHRISTO-
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PHER SOAMES AND THE US SIDE HEADED BY UNDER SECRETARY CASEY HELPED TO CLARIFY POSITIONS AND CORRECT MISUNDERSTANDINGS WHICH HAD CROPPED UP RECENTLY IN THE TRADE FIELD. DURING THIS LATEST ROUND OF CONSULTATIONS THE EC SIDE SOUGHT TO

ASSURE US THAT THE DEVELOPING EC INDUSTRIAL POLICY WOULD NOT BE DISCRIMINATORY AND WE URGED THE EC SIDE TO PARTICIPATE ACTIVELY IN THE OECD INVESTMENT AND GOVERNMENT PROCUREMENT EXERCISES AND IN THE GATT WORK ON STANDARDS. WE EXCHANGED VIEWS ON ENERGY QUESTIONS FOCUSSED ON THE CURRENT OIL SITUATION AND ON AGRICULTURE IN WHICH WE DISCUSSED THE PROTEIN OUTLOOK, PROBED EC VIEWS ON AGRICULTURE IN THE MTN AND URGED THE EC TO AGREE TO A LONG TERM SUPPLY/DEMAND STUDY BY INDEPENDENT EXPERTS UNDER THE OECD. END SUMMARY

2. US DEL CHAIRED BY UNDER SECRETARY CASEY INCLUDED REPRESENTATIVES FROM NSC, CEA, CIEP, STR, STATE, TREASURY, COMMERCE, USDA AND LABOR. EC COMMISSION DEL CHAIRED BY SIR CHRISTOPHER SOAMES EC COMMISSION FOR EXTERNAL RELATIONS INCLUDED DIRECTORS GENERAL GRIERSON (INDUSTRY),

RABOT (AGRICULTURE), SPAAK (ENERGY) AND DEPUTY DIRECTOR GENERAL HIJZEN (TRADE). DURING HIS VISIT TO WASHINGTON SOAMES CALLED SEPARATELY ON SECRETARIES KISSINGER AND SHULTZ AND MET WITH MR. FLANIGAN AND MR. EBERLE. MR. FLANIGAN GAVE A LUNCH IN HIS HONOR WITH CONGRESSIONAL LEADERS INTERESTED IN TRADE. UNDER SECRETARY CASEY GAVE A DINNER WITH SENIOR STATE AND NSC OFFICIALS DURING WHICH WE DISCUSSED IN GENERAL U.S. OBJECTIVES FOR THE YEAR OF EUROPE AND THE US-EC DECLARATION. A JOINT PRESS CONFERENCE BY UNDER SECRETARY CASEY AND SOAMES SOUGHT TO DISPEL SOME OF THE PUBLIC MISUNDERSTANDING ARISING FROM PRESS TREATMENT OF DIFFERENCES OVER TRADE MATTERS.

3. INDUSTRIAL POLICY - UNDERSECRETARY CASEY EXPRESSED OUR CONTINUING INTEREST IN EC'S INDUSTRIAL POLICY AND ITS IMPACT ON U.S. INTERESTS. IN REPLY GRIERSON EMPHASIZED THAT COMMISSION'S AIM IS TO END NATIONAL DISCRIMINATION WHICH EC BASED COMPANIES FACE WITHIN EC AND TO IMPROVE, "ACROSS THE BOARD", EC ENVIRONMENT FOR INDUSTRY, AND TO LIMITED OFFICIAL USE
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ENHANCE ITS EFFICIENCY AND ITS ABILITY TO COMPETE AT HOME AND INTERNATIONALLY. THESE PRINCIPLES RELATE TO SECTORAL POLICIES AS WELL AS TO THOSE IN FUNCTIONAL AREAS SUCH AS STANDARDS AND GOVERNMENT PROCUREMENT. THIS WILL BE ACHIEVED BY COORDINATING, AND WHERE POSSIBLE REDUCING, NATIONAL GOVERNMENT SUPPORT AND DIRECTION OF INDUSTRY. COMMISSION DOES NOT INTEND TO SET UP CENTRAL PLANS FOR INDUSTRY OR TO TRY TO REGULATE ITS DEVELOPMENT, AND U.S. FIRMS IN THE COMMUNITY WILL BE TREATED EQUALLY WITH OTHER EUROPEAN DOMICILED COMPANIES. THE DESIR IS TO ENHANCE RATHER THAN REDUCE INDUSTRIAL COMPETITION, AND THIS CAN BE DONE IF EACH EC FIRM CAN BE ASSURED AN EQUAL OPPORTUNITY TO COMPETE. IN SOME CASES THE EC HAS TURNED

TO U.S. EXPERIENCE FOR IDEAS, FOR EXAMPLE IN THE ANTI-TRUST FIELD. GRIERSON ACKNOWLEDGED THAT IN CERTAIN INSTANCES THESE DEVELOPMENTS MIGHT SEEM SELF-SERVING TO THE U.S., AND HE CAUTIONED THAT WE SHOULD NOT JUMP TO QUICK, SUPERFICIAL, OR BIASED OPINIONS ABOUT THEM.

THE U.S. NOTED ITS CONCERN THAT AN ABSENCE OF EC POSITIONS AND NEGOTIATING AUTHORITY WAS SLOWING COMPLETION OF THE GATT STANDARDS AND OECD GOVERNMENT PROCUREMENT CODES. WE URGED THAT THE COMMUNITY CONCENTRATE ON DEVELOPING POSITIONS ON THESE IMPORTANT ISSUES SO THAT THEY MAY BE RESOLVED SOON, PREFERABLY BEFORE THE MTN'S. WE ASKED FOR MORE DISCUSSION WITH EC ON INDUSTRIAL POLICY ISSUES IN GENERAL DURING THE COMMUNITY'S INDUSTRIAL POLICY FORMULATION PROCESS. WE SAID US WOULD NOT WISH TO BE FACED LATER ON BY ESSENTIALLY NON-NEGOTIABLE EC POLICIES THAT HAVE BEEN ESTABLISHED WITHOUT DUE CONSIDERATION OF THE VIEWS OF OTHER COUNTRIES THAT WOULD BE SIGNIFICANTLY AFFECTED BY EC INDUSTRIAL POLICY DECISIONS. THE EC SIDE RESPONDED THAT THERE REMAIN MANY DIFFERING NATIONAL VIEWS WITHIN THE COMMUNITY ON DETAILS OF INDUSTRIAL POLICY, SUCH AS ON STANDARDS AND GOVERNMENT PROCUREMENT. BEFORE THE COMMUNITY CAN DISCUSS ANY OF THESE POLICIES IN SPECIFIC TERMS IT FIRST MUST EVOLVE COMMUNITY-WIDE POSITIONS ON THEM, AND THIS WORK IS NOT YET FINISHED. MEANWHILE, THE COMMUNITY IS "ALWAYS WILLING TO LISTEN" TO THE VIEWS AND REACTIONS OF THE U.S. AND, FOR EXAMPLE WOULD WELCOME THE VISIT OF A U.S. SPECIALIST IN LIMITED OFFICIAL USE
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GOVERNMENT PROCUREMENT WHO COULD EXPLAIN U.S. OBJECTIVES ON THE ISSUE IN DETAIL TO GRIERSON'S STAFF. FURTHERMORE, THE COMMISSION WOULD UNDERTAKE TO DETERMINE HOW ITS EFFORTS TO ESTABLISH INTRA-EC POLICIES ON GOVERNMENT PROCUREMENT AND STANDARDS CAN BE CARRIED OVER INTO EXTERNAL POLICIES TO SUPPORT MOVEMENT TOWARD INTERNATIONAL CODES AND SIMILAR MULTILATERAL ARRANGEMENTS. GRIERSON DESCRIBED COMMISSION SPONSORED STUDY BY 3 WISEMEN ON GOVERNMENT PROCUREMENT IN THE EC. IN RESPONSE OUR REQUEST HE AGREED TO EXPAND TERMS OF REFERENCE TO INCLUDE EXTERNAL GOVERNMENT PROCUREMENT QUESTIONS SUCH AS RELATIONSHIP TO MTN. THE COMMISSION ALSO IS READY TO CONSULT WITH THE U.S. ON STANDARDS AND CERTIFICATION PROCEDURES DURING THIS DEVELOPMENT PHASE.

ENERGY: SPAAK EXPLAINED COMMISSION PROPOSALS FOR EC COMMON ENERGY POLICY WHICH COVER COOPERATION WITH CONSUMER AND PRODUCER COUNTRIES AND COOPERATION WITHIN EC MARKET. HE HOPED CONSUMERS COULD DO MORE ON R AND D , AND AVOID COMPETITIVE BIDDING WHICH DRIVES PRICES UP. EC WANTED MORE INFORMATION ON COMPANY AND GOVERNMENT POLICIES.

HE NOTED THAT MEMBER STATES NOT EC HAD CONTROL OVER PETROLEUM TRADE AND THERE WAS NO COMMON COMMERCIAL POLICY FOR OIL. EC ECONOMY WAS VERY VULNERABLE AND DEPENDENT ON IMPORTED OIL. EACH GOVERNMENT ACTED INDEPENDENTLY TO PROTECT VITAL NATIONAL ECONOMIC INTERESTS. SOAMES ASKED WHETHER THERE WAS ANYTHING IN WHAT SPAAK HAD SAID ABOUT PROPOSED EC ENERGY POLICY WHICH THE US THOUGHT SHOULD BE CHANGED. US SIDE INDICATED SPAAK PRESENTATION SEEMED REASONABLE AS FAR AS IT WENT BUT RAISED SERIES OF QUESTION DESIGNED TO TEST EC REACTION TO COORDINATED NEGOTIATING POLICY WITH OPEC ESPECIALLY ON PRICES. EC REACTION DID NOT INDICATE EUROPEAN PREPARED BARGAIN SO HARD AS TO RISK LOSS OF OIL. ON CURRENT OIL SUPPLY CRISIS, DIRECTOR GENERAL SPAAK AGREED WITH OUR JUDGMENT THAT AN OIL SHARING SCHEME COULD NOT BE HASTILY PUT TOGETHER TO HELP IN THE PRESENT SITUATION--A PLAN WOULD HAVE HAD TO BE AGREED UPON PRIOR TO THE CRISIS AND TRIGGERED AUTOMATICALLY SO AS TO OBTAIN "POLITICAL" DECISIONS. AS DESCRIBED BY SPAAK, THE EUROPEAN POSITION WITH REGARD TO THE EMBARGO LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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OF THE NETHERLANDS AND REDUCTIONS TO SOME OTHER COMMUNITY MEMBERS IS TO SOMEHOW KEEP THE OIL FLOWING INTO EUROPE FOR AS LONG AS POSSIBLE. HE ARGUED THAT PROCLAIMING EUROPEAN SOLIDARITY "FROM THE ROOFTOPS" WOULD ACCOMPLISH LITTLE EXCEPT A CONFRONTATION WITH ARAB PRODUCERS. DETAILED SEPTEL FOLLOWS.

RELATIONS WITH JAPAN: US SIDE INDICATED THAT PROGRESS BEING MADE WITH JAPAN ON TRADE BALANCE AND ON ELIMINATING TRADE BARRIERS AND THAT WE HAD HAD GOOD DISCUSSIONS ON SAFEGUARDS. THERE REMAINED A FEW AREAS WHERE FURTHER LIBERALIZATION WAS NEEDED. SOAMES NOTED INCREASED EUROPEAN IMPORTS FROM JAPAN AND LARGE JAPANESE SURPLUS WITH EC. HE SAID THAT WHILE IN TOKYO HE HAD TOLD JAPANESE THAT THERE SHOULD BE A BETTER BALANCE IN EC-JAPAN TRADE AND THAT JAPANESE SHOULD AVOID CONCENTRATING TOO MUCH ON PARTICULAR PRODUCTS IN THEIR EXPORT DRIVE SO AS TO AVOID CREATING AN UNFAVORABLE REACTION FROM EUROPEAN PUBLIC OPINION.

RELATIONS WITH USSR AND EASTERN EUROPE: SOAMES SAID EC HAD NO ILLUSIONS ABOUT SOVIET MOTIVES IN PROPOSING CONTACTS BETWEEN THE EC AND CEMA. EC HAD RESPONDED THAT IT WOULD TALK TO EXTENT CEMA HAD TRADE RESPONSIBILITIES. EC STILL HAS PROBLEM OF RECONCILING EC SUMMIT CALL FOR COMMON COMMERCIAL POLICY TOWARD EAST EUROPE WITH MEMBER STATE DESIRE TO MAINTAIN BILATERAL RELATIONS THROUGH COOPERATION AGREEMENTS. HE NOTED POLITICAL SIGNIFICANCE OF RUMANIAN REQUEST FOR EC GENERALIZED PREFERENCES AND SAID THAT BULGARIANS WOULD HAVE TO COME TO EC WITH THEIR

REQUEST. US SIDE SAID MFN PROBLEM WITH TRADE BILL HAD
THUS FAR NOT IMPEDED US-USSR ECONOMIC COOPERATION AND
GAVE BRIEF RUN DOWN ON US-USSR ECONOMIC PROJECTS.

RELATIONS WITH THE LDC'S: A) AFRICAN ASSOCIATED AND
ASSOCIABLE STATES - EC SIDE NOTED THAT IT STILL TOO
EARLY TO TELL HOW NEGOTIATIONS, WHICH HAD JUST BEGUN,
WOULD PROCEED. SOAMES NOTED THAT AFRICANS HAD REMAINED
UNITED IN OPPOSITION TO INCLUSION OF RECIPROCITY FEATURES
IN ANY NEW AGREEMENT AND THAT THIS UNITED FRONT INFLUENCED
EC POSITION, AIDING THOSE WITHIN COMMUNITY WHO RESISTING
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FRENCH PRESSURE FOR RECIPROCITY. UNDER SECRETARY CASEY
REPEATED FIVE-POINT PROPOSAL UNDERLINING OUR WILLINGNESS
TO ASSIST EC IN SETTLING LEGAL ISSUES IN GATT. U.S.
SIDE ASKED FOR FURTHER DETAILS ON COMMODITY SUPPORT
PROPOSAL SKETCHED BY DEVELOPMENT COMMISSIONER CHEYSSON
DURING HIS AUGUST VISIT TO WASHINGTON. SOAMES INDICATED
THERE HAD BEEN NO MOVEMENT ON THIS SUBJECT AND THAT EC
COUNCIL HAD HAD AND TOTALLY INCONCLUSIVE DISCUSSION ON
BOTH RECIPROCITY AND COMMODITY PROPOSAL ON OCTOBER 15.
SOAMES OFFERED TO KEEP U.S. FULLY INFORMED ON NEGOTIATIONS
AND INVITED US TO DISCUSS MATTER IN DEPTH WITH CHEYSSON
WHEN NEGOTIATIONS FURTHER ALONG, POSSIBLY IN THE SPRING.
U.S. SIDE ACCEPTED BUT HOPED TO HOLD CONSULTATIONS BEFORE
POSITIONS HAD BECOME FROZEN SO THAT U.S. VIEWS OR
OBJECTIONS COULD BE TAKEN INTO ACCOUNT. SOAMES AGREED.
B) ASIAN COUNTRIES - SOAMES SAID COMMITTEE TRYING TO
WORK OUT PRACTICAL PROPOSAL FOR ASIAN COMMONWEALTH
COUNTRIES NOT INCLUDED AMONG ASSOCIABLES WHICH WOULD
ENSURE THAT "THEY SUFFER NO MORE THAN NECESSARY" BECAUSE
OF UK ENTRY INTO EC. HE INDICATED PROBLEM IS IMMEDIATE
BECAUSE UK TARIFFS WILL GO UP TO 40 OF CXT AS OF
JANUARY 1, 1974 AND THAT THIS INCREASE WILL CAUSE HARDSHIPS
ON CERTAIN COMMODITIES. HE INSISTED THAT COMMISSION
SOLUTION WOULD HANDLE ALL COMMODITIES UNDER A GENERALIZED
PREFERENCE BASIS AND WOULD BE NON-DISCRIMINATORY BETWEEN
LDC'S. PROVISION FOR INDIA TOBACCO EXPORTS FOR EXAMPLE,
WOULD COVER ONLY QUANTITY EQUAL TO PRESENT EXPORT DOLLAR
VALUE AND ON TEMPORARY BASIS UNTIL QUESTION DEALT WITH
MORE THOROUGHLY AS PART OF MTN. U.S. SIDE EXPRESSED
CONCERN THAT INDIVIDUAL MEASURES COULD AFFECT OUR INTERESTS,
PARTICULARLY IN TOBACCO, AND WARNED THAT GRANTING OF
PREFERENTIAL TREATMENT TO EC BY INDIA OR OTHER OR OTHER
COMMONWEALTH LDC'S COULD MAKE THEM INELIGIBLE FOR U.S.
GSP UNDER LEGISLATION BEING CONSIDERED BY U.S. CONGRESS.
C) LDC'S IN THE MTN - EC SIDE ACCEPTED U.S. POSITION THAT
LDC'S SHOULD BE ACTIVELY ENGAGED IN PLANNING FOR MTN AND
THAT WE SHOULD TAKE A SYSTEMATIC APPROACH TOWARD TRYING
TO GET THEM TO BE SPECIFIC ABOUT GOALS THEY SEEK IN MTN.

D) GSP - EC SIDE EMPHASIZED THAT IT EXPANDING AND
IMPROVING ITS GSP SCHEME, AND EXPRESSED GREAT INTEREST IN
KNOWING HOW SOON U.S. SCHEME WOULD GO INTO EFFECT
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AFTER PASSAGE OF TRADE LEGISLATION. CASEY ASSURED THEM OF
USG SUPPORT FOR GSP APPROACH AND NOTED THAT GSP WOULD BE
APPLIED AS SOON AS REQUIRED HEARINGS ON COUNTRIES AND
PRODUCTS TO BE INCLUDED WERE COMPLETED, PROBABLY ABOUT
NINE TO TWELVE MONTHS AFTER PASSAGE OF BILL.

PREPARATIONS FOR TRADE NEGOTIATIONS: EC SIDE DENIED
PRESS REPORTS THAT EC TAKING DELIBERATE HARD LINE ON
TRADE ISSUES INCLUDING TNC. WE WELCOMED THIS EXPLANATION
BUT SAID THIS IMPRESSION WAS WIDESPREAD AND SHOULD BE
CORRECTED. BOTH SIDES AGREED ON NEED TO KEEP PROBLEMS
UNDER CONTROL. HIJZEN EXPLAINED THAT EC HAD "TAKEN NO
POSITION" LAST WEEK IN GENEVA AND WAS THEREFORE FREE TO
RESPOND TO LONG'S CALL FOR A NOVEMBER 19 TNC MEETING. HE
THOUGHT THE EC COULD NOT REFUSE TO ATTEND THE MEETING.
HIJZEN AGREED TO KEEP IN TOUCH WITH USEC ON THIS ISSUE.

US TRADE BILL AND EC MANDATE: US (PEARCE) EXPLAINED
STATUS AND PROSPECTS OF US TRADE BILL INCLUDING TITLE IV
ISSUE. AFTER FRANK DISCUSSION OF THE PROBLEM OF HOUSE
ACTION, HE ESTIMATED THAT IF HOUSE COULD ACT BY MID-
NOVEMBER, A BILL COULD BE ENACTED BY ABOUT MARCH L, L974.
EBERLE AGREED PROSPECTS FOR BILL WERE GOOD PROVIDED US
AND EC MANAGE ECONOMIC DIFFERENCES SO THAT ATMOSPHERE WAS
NOT SOURED. SOAMES AGREED ON NEED FOR STEADY PROGRESS AND
CAREFUL HANDLING OF ISSUES IN NEXT FEW MONTHS. HE SAID
HE WANTED TO GET STARTED WITHIN THE COMMISSION ON DETAILED
EC MANDATE NEEDED FOR ACTUAL NEGOTIATIONS AND HAD THE
PROBLEM OF TIMING COMMISSION PROPOSALS TO MEMBER STATES SO
THAT ADEQUATE ACCOUNT COULD BE TAKEN OF NEGOTIATING
POSSIBILITIES IN US LEGISLATIVE MANDATE. BOTH SIDES
AGREED ON NEED FOR FREQUENT INFORMAL DISCUSSIONS ON CONTENT
OF OUR RESPECTIVE MANDATES BUT EC NOTED GREAT DIFFICULTY
OF SEEMING TO NEGOTIATE ITS MANDATE WITH US. THE US SIDE
EMPHASIZED THE IMPORTANCE OF TAKING ADVANTAGE OF THE UP-
COMING MTN TO IMPROVE THE STRUCTURE OF THE TRADING SYSTEM.
THE EC SIDE EXHIBITED CONSIDERABLE CAUTION AS TO THE
ADVISABILITY OF CONTEMPLATING MAJOR CHANGES IN THE SYSTEM,
BUT EXPRESSED THE VIEW THAT PROGRESS ON SPECIFIC ISSUES
IN THE MTN COULD WELL LEAD TO CERTAIN CHANGES IN THE SYSTEM.

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GATT ARTICLE 24.6 NEGOTIATIONS; US (EBERLE) SAID WE NEEDED PROMPT AND SATISFACTORY SOLUTION ON THIS PROBLEM. SITUATION WORSENS AS NEGOTIATION DRAGS ON PARTICULARLY WITH AS JANUARY L, L974 INCREASES IN ACCEDING COUNTRY TARIFFS TOWARD CXT. SITUATION AWKWARD BECAUSE WE CAN'T OFFICIALLY DISCUSS UNTIL EC MAKES NEW OFFER. SOAMES EXPECTED EC OFFER WOULD APPROVED BY EC COUNCIL NEXT WEEK AND WOULD THEN BE ON THE TABLE FOR DISCUSSIONS. US SAID WOULD LOOK FORWARD TO THE OFFER AS A BASIS FOR FURTHER DISCUSSIONS.

EC/EFTA RULES OF ORIGIN: US (EBERLE) SAID THE US WANTS TO TAKE A GENERAL LOOK AT R/O IN THE GATT. HIJZEN SAID THE EC WOULD TAKE ANOTHER LOOK AT THE EC POSITION IN PREPARATION FOR THE NOVEMBER 7 GATT COUNCIL MEETING WHERE THE US REQUEST FOR A WP TO EXAMINE R/O GENERALLY WOULD BE ON AGENDA. SOAMES REITERATED EC PREFERENCE FOR LOOKING AT R/O PROBLEMS ON SPECIFIC CASE BY CASE BASIS. EBERLE SAID THERE WAS NO REASON WHY THE GENERAL AND SPECIFIC APPROACHES COULD NOT PROCEED IN PARALLEL.

TEXTILES: WE URGED THAT THE COMMISSION OBTAIN NEGOTIATING AUTHORITY AS SOON AS POSSIBLE SO THAT THE NEGOTIATIONS CAN BE COMPLETED BEFORE THE END OF THE YEAR. HIJZEN EXPLAINED THAT DIFFICULTIES ON TEXTILES IN GENEVA LAST WEEK STEMMED FROM FACT EC NEGOTIATOR HAD NO MANDATE FROM EC COUNCIL. EC SHARED OUR VIEW THAT AGREEMENT NEEDED BY END OF YEAR OR AT LEAST BY THE START OF THE MTN. HE EXPECTED EC NEGOTIATOR WOULD GET COUNCIL MANDATE NEXT WEEK BUT COULD GIVE NO GUARANTEE.

AGRICULTURE. UNDER SECRETARY CASEY NOTED THAT THERE IS A GENERAL AWARENESS, REFLECTED IN THE KISSINGER-ORTOLI TALKS EARLIER IN OCTOBER, THAT THE CHANGING SITUATION IN AGRICULTURE CALLS FOR A REEXAMINATION OF POLICIES WITH A NEW FLEXIBILITY BY BOTH THE U.S. AND EC. HE EXPRESSED HOPE FOR COMMON US-EC ACTION IN FACE OF CHANGING SITUATION AND SUGGESTED FOUR FOLLOWING SPECIFIC MEASURES:

A) FURTHER BILATERAL MEETINGS, INCLUDING POSSIBLY A BRAINSTORMING SESSION AS SUGGESTED DURING THE ORTOLI LIMITED OFFICIAL USE
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VISIT;

B) CONTINUED MULTILATERAL CONSULTATIONS, INCLUDING THROUGH THE OECD HIGH-LEVEL ADVISERS GROUP. MR. CASEY ADDED THAT THAT GROUP SHOULD MOVE BEYOND INFORMATION EXCHANGE INTO POLICY DISCUSSION;

(C) CLOSE COOPERATION IN EARLY STAGES OF THE MTN TO HELP SHAPE ITS FINAL OUTCOME IN A MANNER SATISFACTORY TO

US BOTH;

(D) APPROVAL OF THE U.S. PROPOSAL MADE IN THE OECD
XCSS FOR A STUDY OF LONG-RANGE SUPPLY/DEMAND BY A GROUP OF
INDEPENDENT AGRICULTURAL EXPERTS.

ON LAST POINT, EC SIDE QUESTIONED WHETHER OBJECTIVE
STUDY IS REALLY POSSIBLE AND WERE GENERALLY COOL TO THE
IDEA OBVIOUSLY SEEING IT AS A NEGOTIATING PLOY. CASEY
MADE CLEAR WE GENUINELY BELIEVE A DETACHED AND OBJECTIVE
VIEW OF THE LONG-RUN SUPPLY/DEMAND SITUATION IS WHAT WE
WANT AND IT SHOULD BE POSSIBLE TO AGREE TO APPROPRIATE
TERMS OF REFERENCE. EC SIDE INDICATED IT WOULD NOT BE
POSSIBLE TO AGREE TO PROPOSAL AS DRAFTED AT NOVEMBER XCSS
AND SAID MOST IT WOULD BE ABLE TO DO AT MEETING IS AGREE
TO CONSIDER THE MATTER.

UNDER SECRETARY CASEY EXPLAINED U.S. VIEW OF LINK
BETWEEN WORLD FOOD CONFERENCE AND MTN ALONG LINES PREVIOUS
LY STATED IN GENEVA. IN SEPARATE TALKS U.S. SIDE
DESCRIBED THREE POSSIBLE GOALS FOR CONFERENCE: SECURITY
OF FOOD SUPPLIES; FOOD AID; AND AIDING LDC AGRICULTURAL
PRODUCTION, AND MADE CLEAR THAT FOOD CONFERENCE COMPATI-
BLE AND SUPPORTIVE OF MTN. EC SIDE POINTED OUT COPOSSIBLE
DIFFICULTIES IN DEALING WITH AGRICULTURAL TRADE
ISSUES IN VARIETY OF FORUMS AND URGED US AND EC WORK
CLOSELY TOGETHER ON PREPARING POSITIONS FOR WORLD FOOD
CONFERENCE.

IN SIDE TALKS AT USDA WITH BRUNTHAVER, RABOT SAID THAT
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NATIONAL STOCKPILES WERE A NECESSITY BUT THAT IN ADDITION
INTERNATIONAL RULES ON STOCKING OVER AND ABOVE NATIONAL
NEEDS WERE REQUIRED. HE INDICATED THAT EC ALSO LOOKING
AT EXPANSION OF ITS FOOD AID PROGRAMS AND NOTED THAT MAJOR
INTELLECTUAL DIFFERENCE BETWEEN U.S. AND EC SIDE REMAINED
QUESTION OF FIXING OF PRICE LEVELS IN COMMODITY ARRANGE-
MENTS. EUROPEANS REMAIN INTERESTED IN STABILITY OF SUPPLY
AND OF PRICES AND THUS STILL FAVOR COMMODITY ARRANGEMENTS
(WHICH HE CLAIMED WOULD BE MORE FLEXIBLE THAN THE TRADI-
TIONAL COMMODITY AGREEMENTS.) BRUNTHAVER SAID THAT U.S.
WOULD CONSIDER IT PROGRESS IF EC WOULD WORK TOWARD ELIMI-
NATION OF EXPORT SUBSIDIES AND DENATURING SUBSIDIES AND
AN INCREASE IN STOCKPILING. ON SUPPORT LEVELS, RABOT SAID
HE PLANNING TO RECOMMEND A FREEZE ON WHEAT SUPPORT
PRICE NEXT YEAR, WHICH BECAUSE OF INFLATION, WOULD
RESULT IN REDUCTION OF REAL PRICE SUPPORT LEVEL. HE DID
NOT THINK, HOWEVER, THAT COUNCIL WOULD APPROVE
FREEZE. RABOT SAID THAT EC MIGHT BE PREPARED TO TAKE

ANOTHER LOOK, DURING MTN, AT CONCEPTS OF SELF-SUFFICIENCY RATIOS AND MONTANTS DE SOUTIEN EXAMINED BUT NOT ADOPTED DURING KENNEDY ROUND, ALTHOUGH HE WAS NOT SURE THAT COMMISSION WOULD RECEIVE THESE IDEAS FAVORABLY.

US SIDE NOTED THAT WORLD PROTEIN SITUATION EASING AND THAT LATEST INFORMATION SEES U.S. WITH A 240 MILLION BUSH-EL CARRY-OVER BY SEPTEMBER 1974. EC SIDE SAID THIS WAS WELCOME NEWS SINCE EUROPEAN CONCERN ABOUT PROTEIN SUPPLY HAD BEEN HIGH EVER SINCE U.S. IMPOSITION OF EXPORT CONTROLS IN JULY. RABOT ADDED THAT COMMISSION WILL PRESENT PROPOSALS FOR INCREASED COMMUNITY PROTEIN PRODUCTION IN NEXT FEW WEEKS. RABOT SAID THAT WHAT EC HAD IN MIND WERE DIRECT DEFICIENCY PAYMENTS TO SOYBEAN FARMERS, WHICH IN HIS VIEW WERE CONSISTENT WITH GATT, AND THAT TOTAL PRODUCTION AFTER SEVERAL YEAR INTRODUCTORY PERIOD WOULD STILL ONLY BE SMALL PART OF CURRENT EC CONSUMPTION. UNDER SECRETARY NOTED THAT U.S. WOULD HAVE NO OBJECTION TO INCREASED EC SOYBEAN PRODUCTION AS LONG AS WE SATISFIED THAT MEASURES PROPOSED DO NOT IMPAIR OUR GATT BINDINGS. US SIDE ADDED EC MEASURES MIGHT DO THIS.

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IN SEPARATE TALKS IN DEPARTMENT RABOT TOLD US FIVE POWER GROUP ON AGRICULTURE MIGHT BE A USEFUL FORUM IF IT CAN BE STRUCTURED TO DEAL WITH POLICY ISSUES. HOWEVER, RABOT ALSO SAID HE WOULD NOT BE READY TO PURSUE POLICY DISCUSSIONS SERIOUSLY EITHER BILATERALLY OR MULTILATERALLY UNTIL AFTER COMPLETE COMMISSION PREPARATION ON CAP REVIEW I.E. UNTIL SOMETIME EARLY NEXT YEAR.

OTHER ISSUES: HIJZEN ASKED FOR CONSULTATIONS IN THE FIRST HALF OF NOVEMBER ON THE STEEL SCRAP OUTLOOK FOR 1974. WE AGREED AND SAID THE DETAILS COULD BE WORKED OUT THROUGH USEC. THE EC ALSO GAVE US A "NON-PAPER" COMMENTARY ABOUT ANTI-DUMPING PRACTICES. THE US SIDE NOTED THE IMPORTANCE WE ATTACH TO SOLUTION OF THE PROBLEM INVOLVED IN EC TARIFF CLASSIFICATION OF SEMI-CONDUCTORS AND EC WINE CERTIFICATION REQUIREMENTS AND SAID THAT WE WOULD BE REPRESENTING OUR VIEWS ON THESE ISSUES SHORTLY. KISSINGER

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